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Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
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File Reference No. 1200-200

Dear Ms. Bielstein:

The Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants is pleased to offer its comments on the FASB's December 15, 2003, exposure draft, *Earnings per Share—an amendment of FASB Statement No. 128*.

AcSEC agrees that the frequency of reporting should not affect the year-to-date diluted earnings per share (EPS) calculation and, therefore, agrees with the revisions to the computational guidance in the proposed Statement. More specifically, AcSEC agrees with the proposal that the number of incremental shares included in year-to-date diluted EPS should be computed using the average market price of common shares for the year-to-date period.

Contingently Issuable Shares

The exposure draft does not include the same treatment for contingently issuable shares as in International Accounting Standard (IAS) 33, *Earnings per Share*. AcSEC believes the frequency of interim reporting also should not affect the accounting for contingently issuable shares. AcSEC, therefore, recommends that the final Statement include a revision to the computational guidance on contingently issuable shares (see Illustration 3 in Appendix C of FASB Statement No. 128, *Earnings per Share*) such that the number of contingently issuable shares to be included in the year-to-date diluted EPS calculation be from the beginning of the year-to-date period.

Mandatorily Convertible Securities

A majority of AcSEC members do not agree that shares to be issued upon conversion of a mandatorily convertible security should be included in the weighted average number of shares outstanding used in computing basic EPS from the date that conversion becomes mandatory, particularly if including those shares would not be dilutive. Those members do not believe that the notion of dilution should be introduced in the computation of basic EPS.

If the Board retains the above provision, AcSEC recommends that the Board consider defining the term "mandatorily convertible security." For example, it is unclear whether shares that will be issued pursuant to a forward sale of stock should be treated

as mandatorily convertible securities. Furthermore, AcSEC recommends that the Board provide implementation guidance in the final Statement, particularly on situations in which the number of shares to be issued as a result of a mandatorily redeemable security varies based on factors such as the date of redemption.

Contracts That May Be Settled in Stock or Cash

AcSEC agrees with the proposed amendment that it should be assumed that contracts that may be settled in either cash or shares at the issuer's or holder's option will be settled in shares.

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We appreciate the opportunity to comment on the exposure draft. Representatives of AcSEC would be pleased to discuss our comments with the Board members or staff.

Sincerely,



Mark M. Bielstein, Chair
Accounting Standards Executive Committee



D.J. Gannon, Chair
Short-Term International Convergence Task Force